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August 11, 2012

The Honorable Ken Salazar
Secretary
United States Department of the Interior
1849 C Street NW
Washington, DC 20240

Dear Mr. Secretary,

The State of Alaska has been interested in and seeking to participate in your Department's efforts to improve the performance of federal permitting and coordination of energy development projects in Alaska, as described in President Obama's recent Executive Orders.

I am writing to inform you of a developing situation that is of urgent concern to the State of Alaska: continued federal permitting delays involving the Point Thomson development project on the North Slope. These delays come in spite of repeated commitments made by federal officials to the State – as recently as last week – that target dates for permitting decision were on track. Such delays would jeopardize critical energy production from the North Slope to boost the flow of oil through the Trans Alaska Pipeline System (TAPS) and the creation of thousands of jobs that our country so desperately needs. The purpose of this letter is to ask you to exercise your authority to improve and coordinate permitting, particularly for energy projects in Alaska.

As you know, the Point Thomson field is one of the largest undeveloped conventional oil and gas fields in North America, located on State land 60 miles east of Prudhoe Bay. The Thomson Sands reservoir contains an estimated eight trillion cubic feet (TCF) of gas and hundreds of millions of barrels of liquid condensate and oil. The Point Thomson project would initially produce 10,000 barrels per day of condensate into TAPS – an important contribution to our State's goal of increasing TAPS throughput. ExxonMobil estimates that the Point Thomson project will provide 600 to 700 sustained jobs from 2013 to 2016, with peak employment of up to 2,400 jobs.

Recently, the State of Alaska and the leaseholders at the Point Thomson field signed a settlement agreement committing the leaseholders to a rapid timeline to develop the field. ExxonMobil, the operator, and the leaseholders have committed to begin large scale development of the project this winter.

In my recent correspondence to you regarding the Point Thomson project, you mentioned your interest in working together to promote responsible energy development on State and federal lands in Alaska. Since the Point Thomson project is located solely on State lands, it will result in critical economic and energy development benefits to the state, and I was encouraged by your offer.

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Federal permitting delays have already set back this project's startup date by at least a year. In particular, the completion of an Environmental Impact Statement (EIS) continues to slip. Finalizing the U.S. Army Corps of Engineers' Record of Decision (ROD) in an expeditious manner will require cooperation from a number of federal agencies and, given the President's Executive Order 13580, coordination by your Department.

As the lead federal agency, the Corps had recently committed to issue the ROD by September 21, 2012. On August 1, 2012, senior State of Alaska officials were given assurances by senior Corps and Department of the Interior officials that the Corps, Alaska District, would meet that deadline. Unfortunately, we have more recently been informed that the Alaska District will miss its target date and will issue the ROD as late as December 2012. This comes as a surprise and serious disappointment given the frequent correspondence the State of Alaska has exchanged with your Department and the Corps highlighting the importance of meeting the EIS deadline.

The State of Alaska has worked well with the Corps and other federal agencies on many projects in Alaska, but federal delays and obstacles have become a persistent problem for some of the State's most important resource development projects.

Federal delays involving the Point Thomson EIS have occurred as far back as February 2010. An entire construction year (2011-2012) was lost due to delayed EIS completion. Thus, even though the leaseholders had committed to the State of Alaska that Point Thomson startup would occur in 2014-2015, the start date was delayed to 2015-2016. That delay made it all the more urgent for federal agencies to meet this year's deadlines and enable construction to begin this winter (2012-2013). The Corps' recent announcement of a delayed ROD produces great uncertainty of whether permit decisions will be received in time for winter construction activity this year.

State officials have been working hard over the past two years in processing the approximate 100 State permits required for the Point Thomson project. The State remains ready to issue these permits as early as next month, enabling construction this winter. As you know, the State of Alaska is committed to protecting the environment and requires most major construction to occur in the winter to avoid impacts to the tundra. If the Corps does not issue the ROD on or near its original target date of September 2012, another winter construction season could be lost. The nation will have to wait another year for critical energy development, and Alaskans and other Americans will have to wait for the opportunity of up to 2,400 new jobs.

Additionally, we remain hopeful that the Corps, the Department of Interior, and other cooperating agencies will consider the concerns raised by State experts during the NEPA process regarding the placement of the central pad, pipelines, and associated infrastructure of the Point Thomson project to a further inland location. During the NEPA process, which is designed to run concurrently with the 404 permitting process, federal agency input encouraged the placement of project infrastructure to an inland location. However, after careful review, State experts provided technical information during the EIS process and previous comment opportunities to eliminate any agency misperceptions that infrastructure movement to an inland location would reduce environmental impacts while maintaining project practicability. Some assertions made by federal agencies during the NEPA process were not practicable and not supported by the analyses described in the EIS. Overall, we

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hope the information provided by State experts during the NEPA process is closely considered and equally balanced as the Corps makes the very important Least Environmentally Damaging Practicable Alternative (LEDPA) determination for the Point Thomson project.

The Corps has received agency input on the Point Thomson project for almost three years. Any major amendments to the proposed project should not happen during the last stages of the permitting process. We have made it clear to the Corps that major project amendments will create an undue and extreme burden on the State's ability to reissue or amend State permits, which are now in the final stages of being issued to ExxonMobil. Furthermore, the State's ability to amend State permits will be severely impaired if we are not given advance notice of what these project modifications might include. These possible delays, and others associated with a restart of processing a State permit, should be avoided at all costs and can be avoided if the Corps, Alaska District, is willing to execute their permitting decision in a transparent and coordinated fashion.

Mr. Secretary, I cannot underscore enough the importance of this matter. State officials have consistently reached out to federal officials emphasizing that the permitting of the Point Thomson project cannot be a repeat of the flawed federal permitting process and delays experienced on Alaska's CD-5 project. Federal officials have repeatedly assured us that the CD-5 experience will not be repeated. I wish I could take comfort in these assurances, but the events in the past few days have heightened my concern that the consistent delays and lack of agency coordination that occurred during the CD-5 project are going to repeat themselves on the Point Thomson project.

If there was ever a time for the Department of the Interior to assert its leadership role under the President's Executive Order 13580, and take action in accordance with Executive Orders 13580 and 13563, it is now. I look forward to seeing a path forward that results in federal permitting decisions that will enable construction on the Point Thomson project to begin this winter season. The significant job creation that will come with this project should not be delayed any further.

Sincerely,

A handwritten signature in blue ink that reads "Sean Parnell". The signature is fluid and cursive, with the first name "Sean" and last name "Parnell" clearly distinguishable.

Sean Parnell

Governor

cc: The Honorable Lisa Murkowski, United States Senate
The Honorable Mark Begich, United States Senate
The Honorable Don Young, United States House of Representatives
The Honorable Jo-Ellen Darcy, Assistant Secretary of the Army (Civil Works)
The Honorable Michael Geraghty, Attorney General, Alaska Department of Law
The Honorable Larry Hartig, Commissioner, Alaska Department of Environmental Conservation
The Honorable Dan Sullivan, Commissioner, Alaska Department of Natural Resources